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Giga Watt hits 'bump in the road' | Carlson steps down, staff trimmed to 13 from 70

Nevonne McDaniels
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Work has stopped on Giga Watt's \$30 million project near Pangborn Memorial Airport and its CEO and founder has stepped down.

Don Seabrook

EAST WENATCHEE — Giga Watt founder and CEO Dave Carlson, a high-profile supporter of blockchain technology, "resigned quietly" Aug. 15, signaling a change in the direction of the company that provides turnkey services for cryptocurrency miners.

Carlson's departure was followed this week by layoffs leaving Giga Watt with 13 employees, down from 70.

The leadership change and layoffs follow the filing in early August of two liens by electrical contractors seeking payment for more than \$620,000 in work completed in the past year on the project near Pangborn Memorial Airport.

The \$30 million project, which broke ground last year, includes building a 30 megawatt substation to provide power to 17 GigaPods — buildings that are 48 feet by 12 feet by 15 feet high — designed to offer server space to cryptocurrency miners. One of the pods is operational and, according to the company's website, another 10 are built, awaiting completion of the substation, which will be owned by Giga Watt with power supplied by Douglas County PUD. The company also has eight GigaPods up and running in Moses Lake, with access to 18 megawatts of power there.

"Giga Watt is still in operation, and we have a plan to satisfy our debts, continue to take care of our clients, meet our responsibilities under the law, and eventually bring back as many of our laid-off employees as possible," said Giga Watt Managing Director George Turner, who is handling operations until a new CEO is hired. "This is a bump in the road, albeit a large one."

Carlson said he continues to work on behalf of Giga Watt, but "resigned quietly" to give the company a chance to organize a new management team before making an announcement.

"For a long time now, I've felt that my management decisions were not aligned with the other owners at Giga Watt," he said. "Since I am a minority shareholder, this means my desired direction was often overruled. Eventually I decided that I could have more positive impact for Giga Watt by consulting on outside projects while specifying the GigaPod solution I designed."

At this point, the East Wenatchee project is at a standstill, which Carlson described as "a temporary situation caused by a cash crunch," fueled primarily by construction delays.

"I estimate the project needs less than \$3 million to begin operation," Carlson said. "Giga Watt and myself are working on potential deals with multiple interested parties."

The liens are expected to be cleared soon, Turner said.

"We have an agreement in place to clear one of our liens, and expect to be able to settle the other later this week," he said.

The liens technically put Giga Watt in default on its lease with the Port of Douglas County. The company is current on its lease payments on the four lots in the business park, which amount to about \$8,000 a month. Payments were late for the first time in August and September.

"We are going to go ahead and send a notice of default letter that indicates, from the Port of Douglas perspective, what they need to do cure their default," Port of Douglas Executive Director Lisa Parks reported to port commissioners Tuesday. "It provides a way to work with the tenants, to understand what their needs are and hold them accountable to a plan that they propose to us. We want to make sure in the grand scheme of their needing to figure out how to get their liens taken care of that they are not forgetting about their lease payments and obligations to the Port of Douglas."

Turner said the company is working on fulfilling all of its commitments.

"We do not intend to leave behind anyone, whether shareholders, clients, employees (current and laid-off), or our local partners," he said. "We have tightened our belts and are working to implement the necessary steps to see to all of our obligations."

Those steps, he said, include tweaking the business model.

"We had a business model in place which had not accounted for the unpredictability of human nature in the face of a volatile cryptocurrency market," he said. "We are changing that business model to one which will be sustainable for us, while still taking care of our obligations to our clients and shareholders."

The Wenatchee Valley has become a mecca for cryptocurrency miners attracted by the low cost of power here and the opportunity presented by rising currency values. The volatility of the market, though, creates long-term stability concerns.

Giga Watt has faced several civil lawsuits from investors since the company's "initial coin offering" — the sale of "tokens" that guaranteed them future use of its cryptocurrency-mining facilities as they came online.

Despite the challenges, Carlson said the vision of bringing large-scale blockchain supercomputing to the Wenatchee Valley remains.

"I still believe Giga Watt has a huge opportunity to lead on this effort. I will continue to support their efforts as well as to bring new opportunities through investing and incubating more blockchain tech startups in the area," he said.